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# GAIN Report

Global Agricultural Information Network

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## Thailand

## Grain and Feed Update

**October 2014**

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**Report Highlights:**

TH4104 - The Thai Government is considering measures to support MY 2014/15 rice prices but at much lower prices than in previous years and with stricter conditions. Estimated rice exports for MY 2013/14 and MY 2014/15 have been increased to 10.5 million metric tons and 11.0 million metric tons respectively. The result of the survey of government-owned rice stocks remains controversial.

**Post:**

Bangkok

**Executive Summary:**

The Rice Policy and Management Committee, which is chaired by the Prime Minister, is seeking Government approval for a new on-farm pledging program for MY2014/15 main-crop fragrant and glutinous paddy rice in order to limit downward price pressure. This proposed program would only be available in northern and northeastern production areas and under limited conditions. Reports indicate that complaints are already arising from rice producers ineligible for the proposed program. Meanwhile, the Government continues to sell its rice stocks for exports amid its controversial survey of government-owned stocks. The estimate of MY 2013/2014 Thai rice exports has been increased to 10.5 million metric tons due to higher sales and shipments than previously expected. This pace is expected to continue in MY 2014/15, with exports now forecast to reach 11 million metric tons. Production estimates for MY2014/15 rice and corn crops remain unchanged.

**Author Defined:****1. Pledging Program May be Back but Minimally**

On October 24, 2014, the Rice Policy and Management Committee, which is chaired by the Prime Minister, agreed to a proposal for an on-farm pledging program for MY2014/15 main-crop fragrant and glutinous rice in the northern and northeastern regions. Reportedly this would be effective from November 2014 through the end of February 2015. The proposed intervention price would be set at 14,400 baht per metric tons (\$450/MT) for fragrant rice paddy, which is around 10 percent below current market prices. Meanwhile, the proposed intervention price for glutinous rice paddy would be set at 11,700 baht per metric tons (\$365/MT) which is 5-10 percent above current market prices.

Under the proposed program, farmers could pledge only about 20 metric tons of rice at a maximum value set at 300,000 baht/household (\$9,375/household). In addition, the rice must meet strict moisture content requirements. Farmers will be required to store the paddy rice in their warehouses at least 30 days. They can redeem their rice paddy within 120 days without interest rate charge. Also, they will receive 1,000 baht per metric ton (\$31/MT) for storage cost. The total pledging target is 2 million metric tons of paddy which accounts for around 15 percent of total fragrant and glutinous rice production. The program will be administrated by the Bank for Agriculture and Agricultural Cooperatives (BAAC). The Government is likely to consider this proposal on November 4, 2014 and is part of the effort to limit downward price pressure in advance of the seasonal main-crop rice harvest.

The Government is considering this action because it was unsuccessful in enticing rice millers to buy rice paddy at above market prices through a soft loan program. Traders expect that this on-farm pledging program will likely prevent the market prices of fragrant rice paddy from falling below the intervention prices in the next couple of months. Also, the market prices of glutinous rice will likely increase in the coming months as supplies of premium glutinous rice come onto the market. In other words, market prices of glutinous rice are likely to be above the intervention prices in the next couple of months.

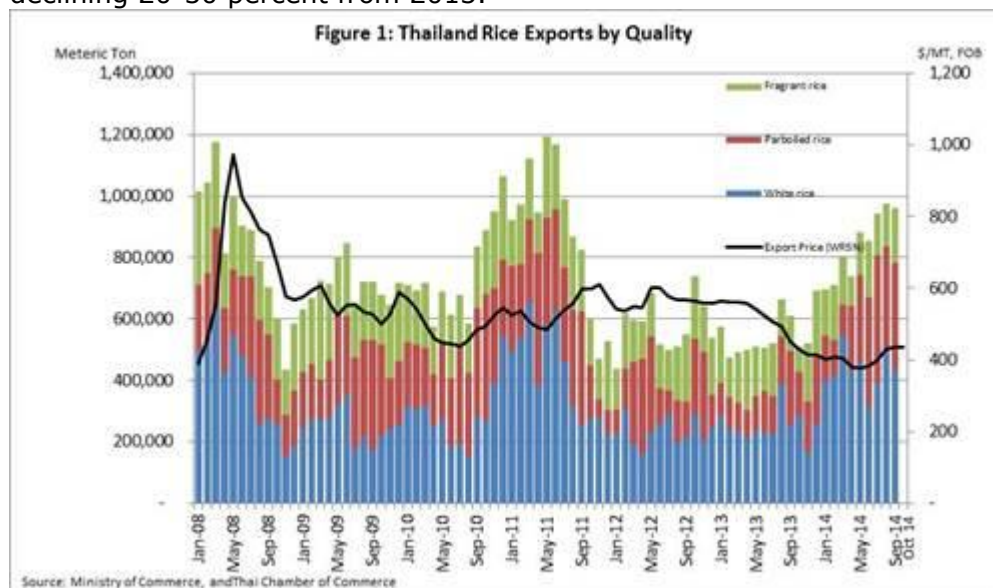
This proposal is already meeting with criticism from producers, such as those growing white rice paddy, that will be excluded from the program. Sources indicate that currently the Government holds only minimal amounts of fragrant and glutinous rice in its stockpile. Given the premium value of these varieties, it is unlikely that this program would result in a long-term increase in government-owned rice stocks.

On October 1, 2014, the Thai Government approved 40 billion baht (\$1.3 billion) for direct

payment to rice farmers as part of its overall economic stimulus package of 364 billion baht (\$11.4 billion). These funds will be disbursed from October to December 2014. The government hopes that these direct payment will help cushion anticipated downward price pressure for rice farmers in advance of the main-crop rice harvest which will begin in November. Payments under the program will be based on farm size. The first group comprised of 1.8 million households with farmland of no more than 15 rai (2.4 hectares) will receive 1,000 baht per rai (\$195/hectare). The second group consists of about 1.6 million households who hold more than 15 rai (2.4 hectares). They will receive 15,000 baht (roughly \$470) per household. The payments will be administered through the BAAC. This direct financial assistance to farmers is in addition to the Rice Farmer Assistant Program that encouraged fertilizer traders to discount the prices (please see Gain and Feed Update, June 2014).

## 2. Rice Exports Forecast to Increase in MY 2013/14 and MY 2014/15

Estimated Thai rice exports are revised up to 10.5 million metric tons for MY 2013/14 based on continued sales of government stocks for export and expected 4<sup>th</sup> quarter shipments of about 970,000 metric tons per month. According to the Thai Custom Department, rice exports from January – September 2014 totaled 7.6 million metric tons, up 53 percent from the same period last year (Figure 1). Exports of white rice increased to around 4 million metric tons, up approximately 70 percent from last year driven by the sales of government stocks. Also, parboiled rice exports doubled from 1.2 million metric tons last year to 2.3 million metric tons due to larger supplies of white rice paddy for parboiled rice production as the government suspended the pledging program. These increases were the result of export prices for white and parboiled rice declining 20-30 percent from 2013.



The Thai Government has continued to sell its rice stocks for export only while limiting its domestic sales to avoid downward pressure on domestic prices. Reportedly, the government has targeted sales of its rice stocks to exporters through closed and public tenders since late September 2014. This is also associated with the shipments under the government-to-government contracts (with China (100,000 MMT) and the Philippines (300,000 MMT) signed in August - September 2014) which were subcontracted to exporters with an export subsidy of approximately \$20-30/MT that will be paid in kind with rice from the government stocks. In the public tender for white rice (5% grade) and broken white rice (A1 Super) of 207,899 metric tons held on October 28, the government reportedly accepted offers of around 203,000 metric tons which account for 98 percent of total tender (Table 1). This compares to sales of only 40-50 percent of the total amount in the last two tenders. The bids were reportedly 8 percent below market prices for white rice and 20 percent for broken rice. Anticipated further sales of white rice from the government stocks will

likely accelerate exports of white rice in the last quarter of 2014 and into 2015. This is expected to offset anticipated seasonal slowdown of parboiled rice exports to Nigeria in the last quarter of 2014.

**Table 1: Total Public Tenders Issued by the New Government between August - October 2014**

Tender	Tender Amount (Metric Ton)	Result of the Tender	
		(Metric Ton)	(Million Baht)
1 (Aug. 7)	167,908	73,225	740
2 (Sep. 12)	139,676	72,085	909
3 (Oct. 28)	207,899	203,000	1,930
<b>Total</b>	<b>515,482</b>	<b>348,310</b>	<b>3,579</b>

Source: Ministry of Commerce

With expectations of continued strong exports and competitive prices driven by new crop sales and export subsidies linked to sales of government held rice, forecast rice exports for MY 2014/15 have been increased by approximately 5 percent to 11.0 million metric tons.

### **3. Size and Quality of Government Held Rice Stocks Still Being Debated**

On October 28, 2014 results of the survey of government-owned rice inventory was published. The report said that only 10 percent of 18 million metric tons of rice stocks was in good condition. Meanwhile, 70 percent of the stocks was reportedly below quality standards. The remainder was deemed not good for human consumption. Missing rice totaled around 100,000 metric tons which is marginal compared to initial report of 3 million metric tons by the Finance Ministry in June 2013. The result of the stock inspection will be submitted to the National Anti-Corruption Commission for further investigation of fraud allegations about the previous government. Traders indicate that since the date of the survey in June 1<sup>st</sup>, about 2 million metric tons of rice has been sold out of the total 18 million metric tons. They estimate that about another 2 million metric tons of rice in good condition remains in government hands. Further, about 10 million metric tons could be reprocessed for domestic consumption or export. The remaining 4 million metric tons are not fit for human or feed consumption or unaccounted for. The government is considering the sales of non-edible rice for ethanol production. Thailand's ethanol consumption more than doubled to 2.6 million liters per day in 2013 and continues on this upward trend (please see TH4057: Biofuels Annual 2014, June 27, 2014).

### **4. Harvest Approaching**

The forecast of MY 2014/15 rice and corn production remains unchanged. These include a 2 to 3 percent reduction due to unfavorable weather conditions, particularly in the northern region and central plain. The seasonal MY 2014/15 main-crop rice supplies will be peaking during November – December 2014, particularly in the northeastern region which accounts for 70-80 percent of total main-crop production. Farmers are likely to begin the cultivation of the off-season rice crop as early as November, particularly in the central plain as their farmland is not flooded this year due to below normal precipitation. According to the Ministry of Agriculture and Agricultural Cooperatives' Office of Agricultural Economics, the MY2014/15 off-season rice production is forecast at 8.4 million metric tons which is closed to Post's estimate (Table 1B).

### **5. Precipitation remained low**

According to the Thai Meteorological Department, average precipitation for the whole country was 9 percent below normal in September 2014 (Table 2 and Figure 2). Thus far, cumulative 2014 rainy season rainfall (May – October) is reportedly 8 percent below normal in the northern region and 22 percent below normal in the central plain. The Royal Irrigation Department (RID) expects possible water shortage in the dry season (November 2014 – April 2015) in these regions as major reservoirs are critically low (Figure 3).

The RID announced on October 7, 2014 that it would restrict farmers in these regions from

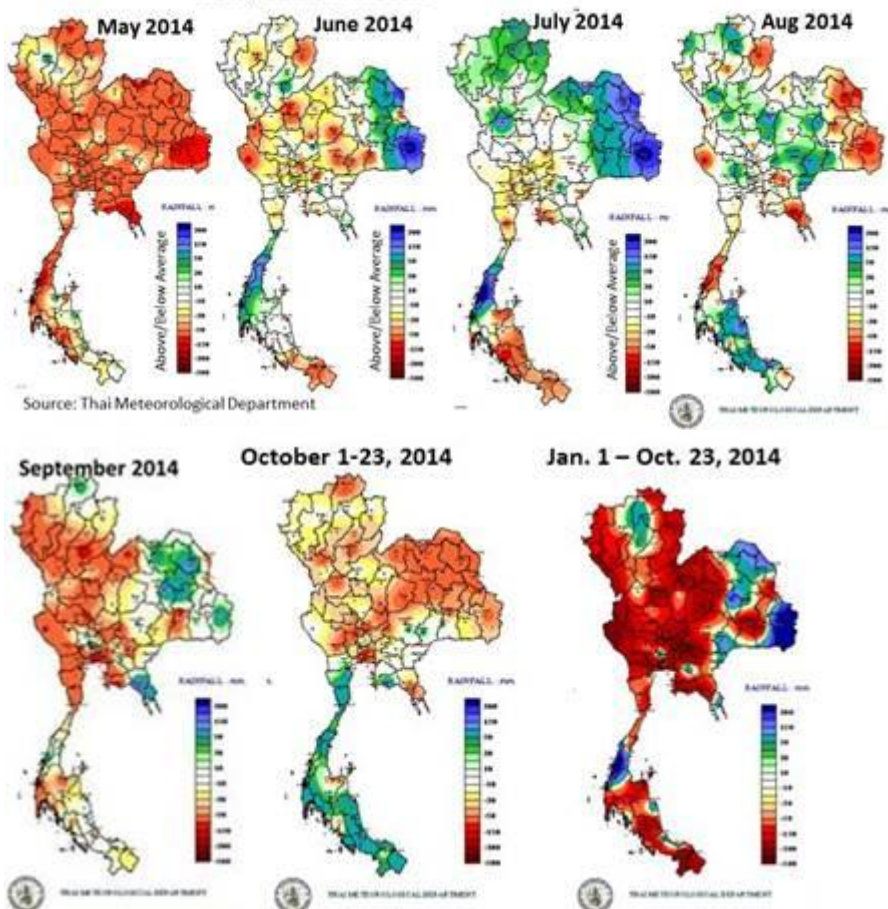
growing off-season rice crop by cutting water discharges from reservoirs for off-season rice production. This action will likely have limited impact on areas planted to off-season rice because most farmers in these regions have already prepared the land for their off-season rice production. Also, their farmlands are located around public canals where the RID has to supply water for multi-uses of households and ecological control. Most farmers in the northeastern regions are still able to grow off-season rice crop as reservoirs are in good conditions (Figure 4) due to normal rain in the irrigated areas in this region.

**Table 2: Precipitation in September 2014**

Region	Precipitation					
	September (Millimeter)	Above/Below Normal Average		Cummulative Jan. - Aug. (Millimeter)	Above/Below Normal Average	
		(Millimeter)	%		(Millimeter)	%
North	173	-44.9	-21	974	-92	-9
Northeast	246	4.2	2	1,276	11.8	1
Central Plain	197	-60.7	-24	856	-189.4	-18
East	325	-4.8	-1	1,390	-212.1	-13
South (East Coast)	111	-39.1	-26	688	-199.1	-22
South (West Coast)	438	14.5	3	2,150	65.9	3

Source: Thai Meteorological Department

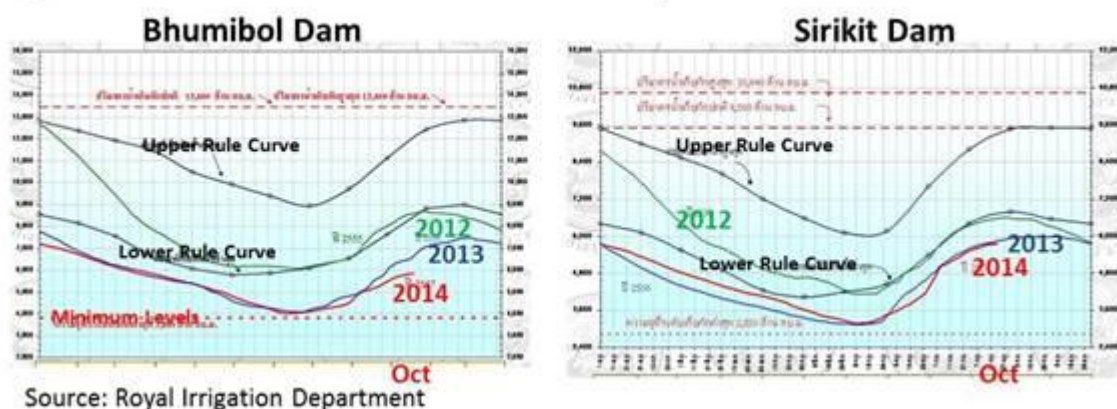
**Figure 2: Monthly Precipitation Deviated from Normal Average in Rainy Season in 2014**



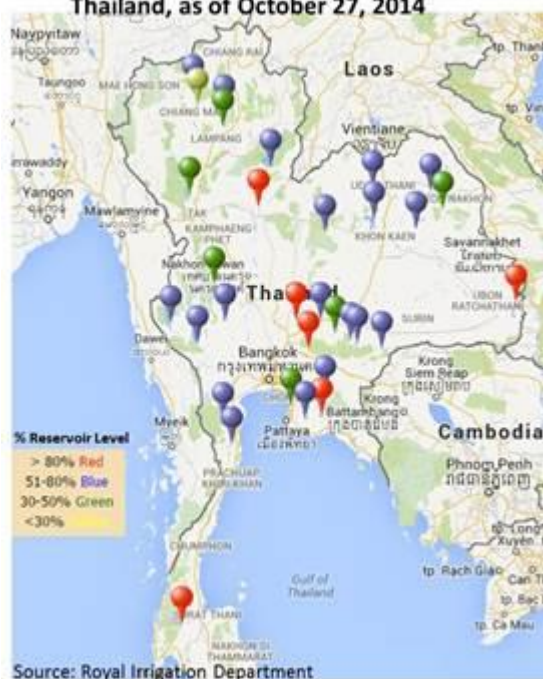
Source: Thai Meteorological Department



**Figure 3: Reservoir Levels for Off-Season Crops in the North and Central Plain**



**Figure 4: Overall Reservoir Conditions in Thailand, as of October 27, 2014**



## Appendix Tables

Table 1A: Thailand's Rice Production, Supply and Demand

Rice, Milled Thailand	2012/ 2013			2013/2014			2014/ 2015			
	Market Year Begin: Jan 2013			Market Year Begin: Jan 2014			Market Year Begin: Jan 2015			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Harvested	10,837	10,837	10,837	10,920	10,920	10,920	10,900	10,900	10,900	(1000 HA)
Beginning Stocks	9,330	9,330	9,330	12,808	12,808	12,808	13,193	13,193	12,193	(1000 MT)
Milled Production	20,200	20,200	20,200	20,460	20,460	20,460	20,500	20,130	20,130	(1000 MT)
Rough Production	30,606	30,606	30,606	31,000	31,000	31,000	31,061	30,500	30,500	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	600	600	600	300	300	300	300	300	300	(1000 MT)
TY Imports	600	600	600	300	300	300	300	300	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	30,130	30,130	30,130	33,568	33,568	33,568	33,993	33,623	32,623	(1000 MT)
MY Exports	6,722	6,722	6,722	9,500	9,500	10,500	10,000	10,000	11,000	(1000 MT)
TY Exports	6,722	6,722	6,722	9,500	9,500	10,500	10,000	10,000	11,000	(1000 MT)
Consumption and Residual	10,600	10,600	10,600	10,875	10,875	10,875	10,900	10,900	10,900	(1000 MT)
Ending Stocks	12,808	12,808	12,808	13,193	13,193	12,193	13,093	12,723	10,723	(1000 MT)
Total Distribution	30,130	30,130	30,130	33,568	33,568	33,568	33,993	33,623	32,623	(1000 MT)
Yield (Rough)	3	3	2.8242	3	3	2.8388	3	3	2.7982	(MT/ HA)

Table 1B: Thailand's Paddy Area, Production, and Yield

	2012/13			2013/14 (October 2014)			2014/15 (October 2014)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9,288	2,160	11,448	9,288	2,100	11,388	9,288	2,100	11,388
Harvest	8,737	2,100	10,837	8,920	2,000	10,920	8,900	2,000	10,900
Production (million ton)									
Rough	21,471	9,135	30,606	22,400	8,600	31,000	22,000	8,500	30,500
Rice	14,171	6,029	20,200	14,784	5,676	20,460	14,520	5,610	20,130
Yield (ton/hectare)	2.457	4.350	2.824	2.511	4.300	2.839	2.472	4.250	2.798

Source: FAS Estimate

End of report